

Testimony of the
County of Kaua'i
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Before a joint hearing of the
Senate Ways and Means Committee
and
House Finance Committee
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Aloha from the Garden Isle!

It is a pleasure to join you once again as we move into 2016 ready to face the challenges and opportunities that lie ahead.

As I have often said, we are separated by an ocean yet we are connected by families and businesses, and we must always remember that it is our *kuleana* to work in concert toward our shared goals. This collaborative spirit enables the state and the county to strengthen our relationships and stretch our resources, and ensures that the people of Kaua'i and Ni'ihau benefit from our efforts.

COUNTY OF KAUA'I UPDATE

Although we continue to seek partnerships with every project we pursue, we still have to grapple with a deficit of approximately \$6 million in the coming fiscal year due largely to collective bargaining increases.

In preparing for FY 2017, Kaua'i County has taken a number of measures to address our budget shortfall. Fiscal restraint has been the central theme for all of our budgetary decisions.

- Eliminated positions and deferred maintenance, and made cuts in the last four years - \$4.1 million.
- Restructured our legal team to provide in-house services, rather than contracting special counsel - \$311,000.
- Reduced the Open Space Fund contribution from 1.5 to .5 percent, which resulted in \$1.1 million in the reprioritization of resources.
- Refinanced debt service - \$333,000.
- Increased property taxes across most categories.

- Created two new real property classes, residential investor and commercialized home use, and changed the assessment methodology for timeshare units, which resulted in a \$1.9 million increase in real property tax revenues.
- Increased user fees including trash collection and permitting fees.

Additionally, we created a Vacancy Review Committee that scrutinizes every vacancy within the county. We do not automatically fill vacant positions; instead, vacancies are used to either eliminate positions or re-engineer delivery of services to the public.

GET SURCHARGE

I would like to thank all of you for giving each county the authority to levy up to a 0.5 percent surcharge on the general excise tax (GET). This provides the counties with a tremendous tool and will enable us to address major concerns of our residents and visitors, who rank the “condition of roads” and “traffic congestion” at the top of their list of concerns.

The anticipated revenues of between \$240 and \$255 million over the course of 10 years that would be generated from the GET surcharge would allow Kauaʻi County to cover the costs of sorely needed road and bridge repairs, other roadway improvements, heavy equipment, as well as transit improvements.

Since last summer, we have worked on a detailed proposal and rationale for the surcharge and identified the specific roads and bridges that could be repaired if the funding is approved. We have also reached out to numerous organizations, met with the County Council, and drafted a bill relating to the GET surcharge. The bill passed its first reading in December and a public hearing is scheduled this Wednesday.

TRANSIENT ACCOMMODATIONS TAX

However, the GET surcharge is limited in scope to transportation and transit projects. As we all know, visitors require the services of our public safety departments, use our roads, ride our buses, relax at our beach parks, attend festivals and events and even senior citizen classes ... all paid for by the County of Kauaʻi.

On any given day, one out of every five people on Kauaʻi is a visitor.

While the cost of these services and programs has increased, the county’s share of the transient accommodations tax (TAT) has decreased. The administration and the County Council therefore support the work of the State-County Functions Working Group, and thank you for passing the legislation that created the working group.

As you are aware, the working group recommends that the cap be lifted, and that each county be allocated an equitable amount that was determined by a formula. I, along with my fellow mayors of HCOM, would like to express our support for the working group's recommendations.

Based on the report, Kaua'i would receive between \$8 and \$9 million annually. These funds could go toward projects that enhance the visitor experience, including public safety, improved parks and restroom facilities, shuttles and festivals and events during shoulder seasons.

LEGISLATIVE REQUESTS

In Kaua'i County's legislative package for 2016, we are asking for your support of capital projects that would provide shared benefits for the state and the county:

- **Adolescent Treatment and Healing Center (\$5 million)** – Building an adolescent treatment and healing center on Kaua'i is a top priority for us, and the county has made great strides on this project. We negotiated with Grove Farm Company for the dedication of approximately five acres of land in upper Hanamā'ulu. Additionally, we encumbered \$500,000 in consulting services for planning, permitting, environmental and design work. Now we are ready for the construction phase.
- **Kaua'i Fire Department Helicopter Hanger (\$500,000)** – Air 1, the Kaua'i Fire Department's helicopter, plays a major role in the county's emergency response. During 2015 alone, Air 1 with Rescue 3 aboard responded to 56 rescues and 18 brushfires. When not in use, Air 1 is parked in a dilapidated hanger at the Līhu'e Airport that needs to be replaced. The terms of a long-term lease where a permanent hanger can be built at the airport are being finalized. This funding would cover the infrastructure costs for a permanent hanger.
- **Salt Pond Master Plan (\$400,000)** – Preserving the precious natural resources in the Salt Pond area is very important. Located there are the Hanapēpē salt pans, the only remaining site in the world where local families continue the 2,000-year-old tradition of salt-making using an evaporation technique. Adjacent to the salt pans is Salt Pond Beach Park, a beach that is frequented by many residents and visitors. Other facilities nearby include Port Allen Airport and the old Kaua'i Humane Society facility. By developing a master plan, it would ensure that the Salt Pond area is preserved and protected, and provide cohesion for improvements.
- **Veterans Cemetery Facility Construction & Improvements (\$700,000)** – An assessment of the communal hall facility focusing on its structural integrity and compliance with current code requirements and standards has been completed. A consultant is currently finalizing design and construction documents for the recommended repairs and upgrades. This funding would allow us to move forward with the construction phase.

CONCLUSION

In closing, I want to express how much we value the positive and collaborative working relationship we share with our State partners. We continue to face big challenges with limited resources; however, I am confident that we can work through them in the best interest of the people we serve.

We look forward to working with you during this legislative session as well as throughout the year in the spirit of *lokahi* and *aloha*.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Bernard Carvalho, Jr.", with a stylized flourish at the end.

Bernard P. Carvalho, Jr.
Mayor, County of Kaua'i